Public Accounts
1993-94
Overview
Volume I

Report to Albertans on
A Financial Plan for Alberta

Alberta

Table of Contents

An Overview

Consolidated Financial Statements of the Province of Alberta 1993-94

Message from the Provincial Treasurer

- The balanced budget plan is working.

- This year, we made good progress in getting our financial situation back on track. With spending down as promised and revenues higher than expected, the deficit is down substantially.

- Even though revenues are up, we're still spending close to $1.7 billion more than we have. That means our debt went up again this year. It's proof once again that we have a spending problem.

- We can't count on a temporary increase in revenues as an easy way out. We need to stick to our balanced budget plan, eliminate the deficit entirely, then begin to attack the debt.

Those are the highlights from this year's financial results.

As a government, we take very seriously our responsibility to be open and accountable to Albertans. We have taken deliberate steps to open the books on our province's financial situation - to tell it like it is and to put in place a deliberate plan for getting our budget back on track.

Timely consolidated financial statements are an important part of the accountability process. They detail our financial performance for the year, tell Albertans how much money we received, how much we spent, what progress we made in eliminating the deficit, and how much we still owe.

The results for this year are promising and they show, without a doubt, that our balanced budget plan is working.

Our total consolidated spending is down over $900 million from last year, following through on our commitment to get spending in line with revenues. On the revenue side, our total revenues are up over $1 billion from last year. As a result of both these factors, the good news for Albertans is that our provincial deficit has dropped significantly from $3,773 million in 1992-93 to $1,680 million for 1993-94.

While this is good news, it certainly isn't time to breathe a premature sigh of relief or let up on our commitment to stick to the tough balanced budget plan we set in May 1993. Some will say, with this windfall in revenues, let's spend it on important programs, let's not bother restructuring how we deliver health services and education programs, or let's slow down the pace of spending reductions. Our response must be no. No for three reasons.

First, we don't control some of the major components of our revenue picture. Our revenues from non-renewable resources were up over $600 million from last year, primarily because strong natural gas markets boosted royalties and sales of Crown leases. We certainly can't count on the same good news every year. That's why the Deficit Elimination Act requires us to use conservative oil and gas revenue forecasts, and that's why we're going to stick with that approach.

Second, we're still spending almost $1.7 billion more than we take in, even with the unexpected increase in revenues this year. We've made a good start, but we are still a long way from getting spending down to what we can afford.

Third, in spite of our spending reductions, Alberta's net debt continues to increase. In 1993-94, the net debt increased from $11.7 billion to $13.4 billion, because of the $1.7 billion deficit. Unlike most Albertans, we're in a situation where our mortgage is actually increasing every year because we keep spending more money than we have and adding that amount to our mortgage. And our mortgage will keep going up until we eliminate deficits completely and begin on a deliberate course to pay down the debt.

The financial results for this year show that we are making progress in getting our financial situation back on track. That progress comes as a result of hard work and sacrifice by a number of Albertans. Public servants worked hard to find effective ways of reducing their budgets and maintaining quality services in essential areas. Across the public sector, people are searching for new and creative ways of delivering services at a lower cost. In some cases, programs have been eliminated entirely, simply because they aren't essential and we can no longer afford to provide them. The course we have taken is not an easy one, but the results in our financial statements for this year show that the hard work is beginning to pay off.

This year's financial results also provide a message of hope to Albertans. They show that we're on the right track and if we stick to the course we set, we will achieve the objective of a balanced budget. They also show that Alberta's economy is picking up and that translates into higher corporate profits and higher earnings for Albertans. This combination - low taxes, a balanced budget, a positive economic picture for Alberta businesses and individuals - is a powerful combination - one that gives Albertans a distinct advantage and sets the stage for a prosperous and debt-free future for our children.

Accounting to Albertans

There are different ways of accounting to Albertans and using information to assess the performance of government.

One is to compare financial performance against last year's actual performance. That's the approach that has been taken with consolidated financial reports in the past. The value of this approach is that Albertans can compare the financial situation this year to last year and make judgements about whether it is getting better or worse. The Consolidated Financial Statements for 1993-94 continue to provide this basic information.

Another approach is to compare the actual financial results for the year against what government said they would do. How do the actual results compare to the budget for 1993-94? the four year balanced budget plan? the Deficit Elimination Act? With this year's report, we've expanded our efforts to compare the consolidated financial results with what we said we would do. Because the budget is not yet consolidated on the same basis as the financial statements, there are still some problems of comparison, but we are moving to consolidated budgets and, in future years, detailed comparisons of actual results to the budget will be easier.

The best approach, one that provides full accountability to Albertans, is to move one step further - to look not only at financial results but also at a full range of performance measures. With that information, Albertans will be able to judge whether we are achieving the objectives we set out to achieve with the dollars we spend.

When businesses prepare annual reports to their shareholders, those shareholders are naturally interested in the bottom line - how much money did the business make or lose? But those shareholders also want to know what kind of outcomes the business achieved. Did they stick to their business plan? get rid of products that were not successful? streamline their procedures to improve

"... the government could significantly improve its accountability by publicly defining what it proposed to do, and then explaining what was achieved through the use of public funds... Even though some improvements will take several years to plan, design, and implement fully, the key, surely was to start. The Wright brothers were wise to attempt to fly at Kitty Hawk. They would never have got off the ground if they had first insisted on designing an intercontinental passenger jet plane."

Annual Report of the Auditor General 1992-93

efficiency and productivity? Financial information alone is not enough to answer these questions.

By next year's report, we will take the next step to improve accountability - focus on the business plans of government, report on outcomes and performance measures as outlined in those plans, and combine those results with our financial performance for the year.

With this information, Albertans will be able to assess not only how much money the province received and spent but also whether we are getting the outcomes Albertans want and expect.

The big picture: Highlights for 1993-94

- The four year balanced budget plan is working. The consolidated financial statements show that government has kept its promise to cut spending and to take deliberate action to get spending in line with revenues.

- The province's financial results for 1993-94 improved compared to 1992-93 because spending was reduced by over $900 million and revenues were higher than expected.

- On the revenue side, total consolidated revenues were $14,324 million. That's over $1 billion more than 1992-93. As required by the Deficit Elimination Act, excess revenues above our budget projections went to decrease this year's deficit and the amount of money we had to borrow.

- On the spending side, government met its commitment to reduce spending. Total consolidated spending, excluding pension provisions, was $15,708 million, down $925 million from the previous year. Spending was $222 million less than permitted under the Deficit Elimination Act.

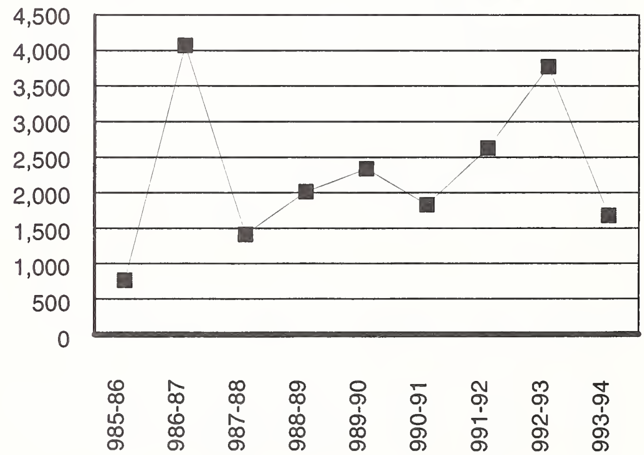
"Albertans want balanced budgets. There may not be agreement now on the exact route to be taken, but there is agreement on the final destination. The government will enact legislation to ensure we reach our goal — a balanced budget by 1996-97."

A Financial Plan for Alberta Budget '93

- The combined result of decreased spending and higher revenues is a significant reduction in the consolidated deficit. The deficit for 1993-94 is down over $2 billion from $3,773 million last year to $1,680 million. Without accounting for the increase in pension liabilities, the consolidated deficit was $1,384 million. That's considerably better than forecast in the budget for 1993-94 and less than the Deficit Elimination Act target for 1993-94 by over $1 billion.

- On the debt side, the news isn't as good. Because of the deficit of close to $1.7 billion, Alberta's consolidated net debt increased this year from $11,699 million last year to $13,379 million this year.

Consolidated Deficit
($ millions)



What do all these numbers mean to each and every Albertan? They mean that your share of provincial revenues went up from $4,965 last year to $5,279 this year. And your share of total spending went down almost $350 from $6,248 last year to $5,901 for 1993-94. Based on what we know today, what will your share of

Alberta's deficit and debt look like in 1996-97 when Alberta has a balanced budget?

	**1992-93 (Actual)**	**1993-94 (Actual)**	**1994-95 (Budget)**	**1995-96 (Projected)**	**1996-97 (Projected)**
Your share of the deficit:	$1,283	$ 622	$582	$187	$ (80)
Your share of the net debt:	$4,442	$5,025	$5,728	$6,035	$6,075

The revenue picture

Revenue includes all the money the provincial government receives from taxes, oil and gas royalties, payments from the federal government, investments, fees and licences and other miscellaneous sources. Add all those revenues together for 1993-94 and the picture is better than expected. Total consolidated revenues are $14,324 million, up over $1 billion from last year.

The revenue picture for the province is volatile, especially because the province does not control much of the revenue it receives. With a typical individual Albertan or a family with jobs and a set income, you know what your salaries are and, barring any major problems, you can predict what your income will be for the year. The province isn't in the same position.

On the tax side, the provincial government sets the rates that individual Albertans and businesses will pay. And government has kept its commitment not to increase tax rates. But if people earn more, if there are more people working and paying taxes, or if businesses make more profits, the overall tax revenues for the province will go up. That happened this year, especially on the corporate side. And it's a positive sign that Alberta's economy is on the move.

1993-94 was a strong year for Alberta's oil and gas industry. And that's reflected in an increase of $634 million in the province's resource revenues.

"As recommended by the Alberta Financial Review Commission, a conservative resource revenue estimate has been adopted for 1993-94. Deficit reduction will not be based on optimistic energy assumptions."

A Financial Plan for Alberta Budget '93

However, it's important to remember that with revenues from oil and gas, Alberta is a "price taker." That means we don't set the price. We sell our resources at prices set by international markets - markets which go up and down quickly. As an example, the price of oil dropped from (U.S.) $25.47 to $15.34 a barrel in the space of one year - from 1985-86 to 1986-87. The same thing happened again between 1990-91 and 1991-92 when the price dropped almost $4 a barrel. Because we don't set the price, we can't - and we won't - count on the same level of revenues for next year. We made a deliberate decision to use conservative oil and gas revenue forecasts, we built that requirement into the Deficit Elimination Act, and we're going to stick to that approach.

Additionally, for this year, Alberta made major gains on the sale of its shares in the Alberta Energy Company. This added $273 million to Alberta's revenue picture.

Here are the full details of the revenue picture:

- Total consolidated revenues are up over $1 billion to $14,324 million.

- Revenue from taxes is up just over $300 million from last year for a total of $4,996 million. On the corporate side, income taxes paid by corporations increased by $217 million, showing that business profits are up. On the personal side, the increase of $83 million shows that Albertans are earning more. Both of these are positive signs of an improving Alberta economy.

- Oil and gas resource revenues increased significantly to $2,817 million, up $634 million from last year. This increase is due primarily to increased sales of Crown leases and revenues from gas sales.

- Transfers from the federal government were down this year, from $2,384 million to $2,015 million for 1993-94.

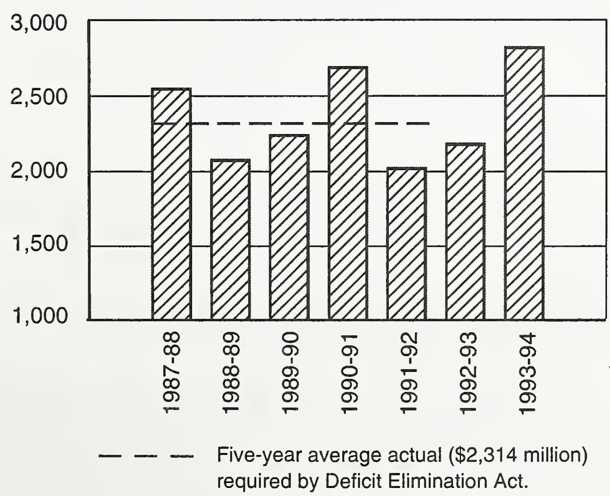
- Net profits from commercial operations increased significantly in 1993-94, from $456 million last year to $772 million this year.

- Investment income increased to $1,806 million this year compared to $1,621 million last year. The increase is due to the province's financial gains on the sale of Alberta Energy Company shares, a total gain of $273 million. Without this sale, investment income would have been down from last year because of lower interest rates. Consistent with accounting practice, the province's gains from the sale of Alberta Energy Company shares are counted as revenue for this year. However, this money was not spent. As legislated by the Deficit Elimination Act, the money was used to reduce the province's deficit and debt.

- In 1993-94, government moved to increase a number of fees so that people using government services pay a larger share of the costs. In addition, more people bought permits and licences so the volume was up. The result is that revenues from fees, permits and licences increased to $1,086 million this year compared to $1,027 million last year, an increase of just under 6 percent.

Resource Revenue

($ millions)



Spending

It should be simple to explain spending, but it depends on how you count it. On a total consolidated basis, government spent $15,708 million in 1993-94, not including pension provisions. That's down from $16,633 million last year, a decrease of 5.6 percent.

But there are different ways of breaking down that spending.

One is to look at the operating side, the amount government spends on basic programs and services. That's where most of government spending goes. Including debt servicing costs, government spent a total of $14,234 million this year compared to $14,923 million last year, a decrease of almost $700 million.

Another component of spending is capital - dollars government spends on such things as roads and bridges, for new buildings, and for renovating existing buildings. Capital spending was down significantly from the year before. Total capital spending for 1993-94 was $692 million compared to $980 million the year before.

Looking at both operating and capital spending combined, most of government's spending went to the four key areas of health, education, social services and debt servicing. Together, those four areas account for 73 percent of government's total operating and capital spending.

Debt servicing costs for 1993-94 were $1,861 million, up slightly from $1,755 million the year before. This money goes to pay for the interest on government debts. And every dollar spent on interest payments is a dollar that can't be spent on worthwhile programs and services.

Another component of government spending is what is called "valuation adjustments." This term refers to changes in the value of government's assets and debt. Every year,

government re-evaluates and adjusts the value of its assets, liabilities and debt. When the value of an asset goes down, this becomes a cost to government. Valuation adjustments also include an estimate of the increase or decrease in the costs of employee vacation entitlements and long term disability benefits that government is obliged to pay. This year, valuation adjustments were up slightly from $730 million last year to $782 million. This increase is due to government's decision to assume full responsibility for funding school boards. Along with that decision, government assumed full responsibility for funding school boards' debts for building and renovating schools. Without this added responsibility, valuation adjustments would have been down significantly in 1993-94.

A final component on the spending side of the ledger is pension liabilities. Because government is responsible for a number of pension plans, it must include annual increases in pension liabilities as part of its total accounting. For this year, pension provisions are down from $358 million to $296 million.

The deficit

Having a deficit for the year means that government is spending more money than it receives. Government's plan is to eliminate yearly deficits completely by 1996-97.

In 1993-94, Alberta's consolidated deficit dropped significantly, from $3,773 million to $1,680 million, a decrease of over $2 billion. Alberta hasn't had a deficit that low since 1987-88. In fact, for this year, we've turned the deficit picture back six years.

The consolidated deficit number includes provisions for pension liabilities. Excluding these pension provisions, the deficit for 1993-94 stands at $1,384 million compared to $3,415 million in 1992-93.

While this is good news for Albertans and for government, we need to look closely at the reasons for this dramatic improvement. The first reason is that we stuck to our planned spending reductions. The second reason is unexpectedly high revenues, especially from oil and gas royalties, increased tax revenues on the corporate side, and profits from the sale of Alberta Energy Company shares. The reality is, in spite of those windfall revenues, we're still spending close to $1.7 billion more than we receive - proof once again that we have a spending problem not a revenue problem. The increase in revenue simply meant we had to borrow less to meet our spending requirements. If oil and gas revenues had been at the average of the last five years, instead of the level we saw this year, the deficit would have been almost $2.2 billion. This shows how important it is to maintain our focus on the spending side rather than count on volatile revenues as the answer to our deficit problem.

The net debt

Net debt is a comparison of how much government owes to how much it owns in investments and other financial assets. If you compare it to a family, you look first at how much they owe for their mortgage, car loans, credit cards and other money they have borrowed. Then you compare that with how much they have in financial assets - how much money they have in investments, stocks and bonds, in RRSP's and their savings account. It's the same situation for the province. Except in our case, we're not paying down the mortgage - it's increasing. As long as we keep spending more than we have, we need to borrow more money to make up the difference. And as the mortgage goes up, we have to pay more and more in interest payments every year.

This year, Alberta's net debt increased from $11,699 million to $13,379 million. Why the increase? Because, once again, we spent more money than we took in

- almost $1.7 billion more - and that gets added straight onto our net debt.

If we look at the asset side, the value of our financial assets grew slightly in 1994 to $18,350 million. This includes the assets of the Heritage Savings Trust Fund. At the same time, our total liabilities - how much we owe in total - grew to $31,729 million. Subtract the two figures and we're left with a net debt of $13,379 million. And if we don't start paying down the debt soon, that's the debt that we will hand on to our children.

On the positive side, the Workers' Compensation Board should be singled out for the tremendous progress they made in improving their overall financial situation. From a cumulative financial deficiency of $632 million at the end of last year, they have reduced that deficiency by almost a half, down to $330 million at the end of this year.

How do the overall results compare to what government said they would do?

We've looked at the highlights of how the financial results compare to the results from last year. But how do they compare with what government said we would do and with the commitments we made in Budget '93 and the Deficit Elimination Act?

Budget '93 outlined the following highlights:

- no increases in tax rates and no new taxes
- a reduction of $965 million in the consolidated deficit
- a reduction of over $1 billion in operating program spending and capital investment

". . . all of those benefits come with a price tag. And Albertans, like all Canadians, have not paid the full price. Instead, governments have borrowed to meet spending demands."

A Financial Plan for Alberta Budget '93

- maintain priority on education and health with slight decreases in health spending and a small increase in education spending; in all other areas of government spending, operating spending cut or held to essentially the same levels as the year before

- get out of the business of providing direct assistance to private businesses

- use conservative resource revenue projections; budget revenue forecast at $11,462 million

- net debt expected to increase to $14,316 million.

In addition to the plans outlined in Budget '93, the ***Deficit Elimination Act*** requires that the deficit be no higher than $2.5 billion for 1993-94. It also requires that any gains in revenue over the budget estimate cannot be used to fund more government spending. Those gains must go to reduce the deficit and debt.

Here's what the actual results show:

- government held the line on tax rates but, due to a strengthening economy, tax revenues from both personal income tax and corporate income tax increased in 1993-94.

- the consolidated deficit went down by over $2 billion.

- the deficit is over $1 billion less than the Deficit Elimination Act target.

- on the spending side, government followed through on spending reductions. Because of a special one-time provision of $358 million for the school boards' share of construction debt, spending was up from budget estimates. Excluding this post-budget decision to assume full responsibility for school financing, total operating program spending and capital investment was $105 million lower than budgeted and $1,165 million less than in 1992-93.

- health spending is down compared to last year. While departmental operating expenditure was higher than budgeted, this was more than offset through lapses in capital investment for health facilities construction and equipment replacement. Spending on education is up over last year but slightly lower than the budget estimate. And in other program and capital areas, overall spending is down more than planned.

- revenues were $753 million more than the budget forecast.

- loans and advances by government are down by almost $500 million compared to 1993. Most of the remaining loans are in two areas: the Alberta Municipal Financing Corporation which helps municipalities borrow capital funds at the lowest possible cost and the Farm Credit Stability program which allows farmers to borrow money at a fixed rate of interest.

- because the deficit was lower than expected, net debt was $13,379, almost $1 billion less than the budget projection.

As noted at the outset, it's difficult to compare the actual results with the budget because the budget is prepared on a different basis. Budget '93 took the province's five largest funds and consolidated them on a line-by-line basis. Other funds and agencies were consolidated only on a net deficit or surplus basis. In order to compare the actual results to the budget, we have recast the numbers on the same basis as Budget '93.

This is what the comparison looks like:

	Budget '93	**Actual (same basis as Budget '93)**
	(in $millions)	
Revenue	$11,462	$12,215
Program spending		
Operating	$12,021	$12,424*
Capital investment	809	656
Capital amortization	(96)	(93)
	12,734	12,987*
Debt servicing	1,400	1,328
Total spending	14,134	14,315
Other funds and agencies net surplus	(228)	(443)
Deficit before items footnoted in Budget '93 Update	2,444	1,657
Gain on sale of Alberta Energy Company shares	(273)	(273)
Deficit for Deficit Elimination Act purposes	2,171	1,384
Pension provisions	321	296
Consolidated deficit	$ 2,492	$ 1,680
Net debt	$14,316	$13,379

* Includes provision for assumption by the Province of responsibility for payment of $358 million in school construction debt previously supported by school board supplementary requisitions.

What can we conclude from this comparison? Government met the commitments made in Budget '93. Strict spending limits were maintained. Conservative revenue projections ensured that the balanced budget plan was not derailed. We stuck to the priorities we set. We are still spending close to $1.7 billion more than we take in. Our total net debt continues to increase. And finally, we can't let up on our balanced budget plan simply because we had a temporary increase in revenues for the year.

What we promised:	***Did we deliver?***	***Comments:***
No tax increases	☑ Yes	Total tax revenues up due to strengthening economy
Reduce deficit	☑ Yes	Consolidated deficit down over $2 billion
Legislate deficit reduction targets	☑ Yes	Deficit came in better than the Deficit Elimination Act ceiling by $1.1 billion
Reduce spending	☑ Yes	Consolidated spending down over $900 million
Put first priority on health and education	☑ Yes	Education and health account for close to half of total operating and capital spending
Use conservative oil and gas revenue forecasts	☑ Yes	Resource revenue exceeded forecast; total revenues up by $634 million over 1992-93
Get out of loans and assistance to business	☑ Yes	Loans and advances down by $500 million
Create positive environment for business and industry	☑ Yes	Strong corporate profits mean corporate tax revenues up over $200 million

Taking the next step to improve accountability

Compare this year's financial results to 1992-93 and the comparison shows considerable improvement in the overall financial picture for the province. Move one step further and compare financial results with what government said they would do in Budget '93 and the Deficit Elimination Act. The conclusion is that government has stuck to its plan and done what we said we would do - reduce spending and take deliberate steps to get the deficit down.

By next year, we want to take the next step in improving accountability. Taking our business plan as a starting point. Looking at the outcomes we expect and how we will measure them. Ensuring that we know the cost of outputs. Then combining information about our financial results with an accounting of the outcomes we achieved for the dollars we spent.

This will not be an easy task. Departments are at work developing performance measures as part of their updated business plans. But in addition to that work, we need to look at the indicators that could be used to judge the performance of government as a whole. As an Albertan, what ten criteria or measures would you use to judge the performance of your government? That it demonstrates strong financial management? That it keeps its promises? That its priorities are consistent with the priorities of Albertans and are reflected in how money was spent? That it spends money on programs and services that achieve positive results in health, education and other priority areas?

We'd like to hear your views. Let us know what you think the measures of an effective government should be. And, if you have comments about this overview report or would like more information, please contact:

Communications
Alberta Treasury — Phone: (403) 427-5364
Fax: (403) 427-1147

Public Accounts
1993-94
Volume I

Consolidated Financial Statements of the Province of Alberta

PUBLIC ACCOUNTS 1993-94

PREFACE

The Public Accounts of Alberta are prepared in accordance with the provisions of section 77 of the Financial Administration Act. The Public Accounts are presented in four volumes.

This volume contains the consolidated financial statements of the Province of Alberta. The consolidated financial statements include the accounts of government entities including the General Revenue Fund, revolving funds, the Alberta Heritage Savings Trust Fund and other regulated funds, most Provincial agencies and Crown-controlled corporations.

Volume 2 contains the financial statements of the General Revenue Fund, details of General Revenue Fund expenditure and revenue by department, financial statements of revolving funds and regulated funds, and reports that are required to be included with the Public Accounts in accordance with the Financial Administration Act and other statutes, or by direction of the Provincial Treasurer.

Volume 3 contains the financial statements of Provincial agencies, commercial enterprises and Crown-controlled corporations. Financial statements of subsidiaries of Provincial agencies are also included in Volume 3.

Volume 4 contains the financial statements of universities, university foundations, the Banff Centre for Continuing Education, public colleges, technical institutes, the Alberta Heritage Foundation for Medical Research, Provincial general hospitals, mental health hospitals, the Alberta Cancer Board, the University Hospitals Board, and their subsidiaries.

CONSOLIDATED FINANCIAL STATEMENTS
OF THE PROVINCE OF ALBERTA
FOR THE YEAR ENDED MARCH 31, 1994

Introduction:

The financial statements in this Volume are consolidations of the financial statements of the General Revenue Fund, revolving funds, regulated funds, Provincial agencies and Crown-controlled corporations, including those agencies and corporations designated as commercial enterprises, for which separate financial statements or summaries are presented in Volumes 2 and 3.

The method of consolidation is described in the Accounting Policies note that forms part of the financial statements.

PROVINCE OF ALBERTA
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1994

AUDITOR'S REPORT

To the Members of the
Legislative Assembly

I have audited the consolidated statement of assets, liabilities and net debt of the Province of Alberta as at March 31, 1994 and the consolidated statements of revenue and expenditure, changes in net debt and changes in financial position for the year then ended. These financial statements are the responsibility of Treasury Department management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Province of Alberta as at March 31, 1994 and the results of its operations, the changes in its net debt and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting as described in Note 1 to the consolidated financial statements. As required by the Auditor General Act, I report that, in my opinion, the disclosed basis of accounting has been applied, after giving retroactive effect to the change in accounting policy without restatement as explained in Note 2(a) to the consolidated financial statements, on a basis consistent with that of the preceding year.

CA
Acting Auditor General

Edmonton, Alberta
June 15, 1994

PROVINCE OF ALBERTA
CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1994

	In millions 1994	1993
Revenue (Schedule 1):		
Taxes	$ 4,996	$ 4,695
Non-renewable resource revenue	2,817	2,183
Transfers from Government of Canada	2,015	2,384
Investment income	1,806	1,621
Fees, permits and licences	1,086	1,027
Net profits from commercial operations	772	456
Other revenue	832	852
	14,324	13,218
Expenditure (Schedules 2 and 3):		
Health	4,169	4,325
Education	3,185	3,111
Social services	1,721	1,889
Agriculture and economic development	1,036	1,439
Transportation and utilities	748	848
Protection of persons and property	562	597
Environment and resource conservation	407	432
Recreation and culture	263	246
Regional planning and development	214	245
Housing	195	208
General government	565	608
Debt servicing costs	1,861	1,755
Alberta local employment transfer	—	200
	14,926	15,903
Valuation adjustments except pension provisions (Schedule 4)	782	730
	15,708	16,633
Deficit before pension provisions	1,384	3,415
Pension provisions	296	358
Deficit (Note 3)	$ 1,680	$ 3,773

The accompanying notes and schedules are part of these financial statements.

PROVINCE OF ALBERTA
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND NET DEBT
MARCH 31, 1994

	In millions 1994	1993
Assets:		
Cash and marketable securities (Schedule 5)	$ 4,660	$ 3,762
Accounts and accrued interest receivable	1,978	1,189
Portfolio investments (Schedule 6)	2,409	2,572
Long-term investments (Schedule 7)	952	1,285
Loans and advances (Schedule 8)	8,024	8,509
Inventories held for resale (Schedule 9)	327	499
	18,350	17,816
Liabilities:		
Accounts and accrued interest payable	1,746	1,618
Deficiency in commercial enterprises (Schedule 10)	143	655
Unmatured debt (Schedule 11)	22,062	20,181
Pension obligations (Schedule 12)	5,066	4,770
Other accrued liabilities (Schedule 13)	2,198	1,844
Equity in Alberta Municipal Financing Corporation (Schedule 14)	514	572
	31,729	29,640
Net debt	$13,379	$11,824

The accompanying notes and schedules are part of these financial statements.

PROVINCE OF ALBERTA
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 1994

	In millions 1994	1993
Net debt at beginning of year:		
As previously reported	$11,824	$ 8,051
Adjustment to reflect changes in accounting policy for personal income taxes and established programs financing entitlements applied retroactively without restatement of prior periods	(125)	—
As restated	11,699	8,051
Deficit for the year	1,680	3,773
Net debt at end of year	$13,379	$11,824

The accompanying notes and schedules are part of these financial statements.

PROVINCE OF ALBERTA
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1994

	In millions	
	1994	1993
Operating transactions:		
Deficit	$ 1,680	$ 3,773
Non-cash items included in deficit	165	(999)
Change in equity in Alberta Municipal Financing Corporation	58	237
Other, net	(417)	252
Cash applied to operating transactions	1,486	3,263
Investing transactions:		
Portfolio investments	271	161
Loans and advances	1,034	952
Proceeds from disposals, repayments and redemptions of portfolio investments	(525)	(147)
Repayment of loans and advances	(1,220)	(936)
Other, net	(451)	(108)
Cash provided by investing transactions	(891)	(78)
Financing transactions:		
Debt issues	(23,206)	(26,999)
Debt retirement	21,713	24,826
Cash provided by financing transactions	(1,493)	(2,173)
Increase (decrease) in cash and marketable securities	898	(1,012)
Cash and marketable securities at beginning of year	3,762	4,774
Cash and marketable securities at end of year	$ 4,660	$ 3,762

The accompanying notes and schedules are part of these financial statements.

PROVINCE OF ALBERTA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1994

Note 1 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies:

(a) Reporting Entity

These financial statements include the accounts of government entities including the General Revenue Fund, revolving funds, the Alberta Heritage Savings Trust Fund and other regulated funds, most Provincial agencies and Crown-controlled corporations. Provincial agencies such as universities, public colleges, technical institutes and hospitals are not included in the consolidated financial statements.

(b) Method of Consolidation

The accounts of the General Revenue Fund, revolving funds, regulated funds and Provincial agencies, except those designated as commercial enterprises, are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c). Inter-fund, agency revenue and expenditure transactions, investing and financing transactions, and related asset and liability accounts have been eliminated.

The accounts of Crown-controlled corporations and Provincial agencies designated as commercial enterprises are reported on an equity basis, the equity being computed in accordance with generally accepted accounting practices applicable to those enterprises.

The reporting period of some Provincial agencies and Crown-controlled corporations is other than March 31. Transactions of these agencies and corporations that have occurred during the period to March 31, 1994 and that significantly affect the consolidation have been recorded.

(c) Basis of Financial Reporting

Revenue

Corporate income taxes are reported on a cash basis. Personal income taxes and established programs financing entitlements relating to health and post-secondary education are reported on the basis of management's estimates of amounts applicable to the fiscal year under the terms of a tax collection agreement and under the provisions of the federal legislation respectively. Other revenues, including non-renewable resource royalty revenues, are reported on an accrual basis.

Expenditure

Expenditures represent the cost of goods and services acquired during the year and expenditures made or accrued in accordance with the conditions of approved grant programs, including capital acquisitions, expenditures on capital programs and grants for capital purposes.

Pension costs comprise the cost of pension benefits earned by employees during the year and interest on the Province's share of the unfunded pension liability. Costs which are funded are included in expenditure and costs which have not yet been funded are included in pension provisions.

Valuation Adjustments

Obligations under guarantees and indemnities are charged to valuation adjustments when management determines that the Province will likely be called upon to make payment. The charge represents management's estimate of future payments less recoveries.

The estimated increase or decrease for the year in accrued employee vacation entitlements and long-term disability benefits is charged or credited to valuation adjustments.

The estimated increase for the year in the Province's obligations to provide funding from future appropriations to school boards to enable them to repay the principal portion of debentures issued by school boards to the Alberta Municipal Financing Corporation is also charged to valuation adjustments.

No provision is made in the financial statements for commitments, details of which are disclosed in Note 4.

Assets

Assets are limited to financial claims on outside organizations and individuals and inventories held for resale at the year end, except for corporate income taxes receivable which are not reported.

Marketable securities, which are temporary investments, are valued at cost or market value, whichever is lower, on an aggregate basis.

Portfolio investments, which are investments to provide income for the long term, are carried at cost except that real estate is carried at the lower of cost and appraised value. Realized gains and losses on disposals of these investments are included in the determination of the deficit.

Long-term investments, which were made with the intention of diversifying the economy, are recorded at cost.

Loans and long-term investments in loans are reported at their face value except for loans made on significantly concessionary terms which are discounted by the amount of concessions. The amount of the discount is amortized to revenue over the term of the loan, except when the collectibility of either the principal or interest related to the loan transaction is not reasonably assured.

Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

Real estate held for resale is valued at the lower of cost and net realizable value, on an aggregate basis. Inventories representing the Province's share of royalty oil in feeder and trunk pipe lines are stated at actual net realizable value. Other inventories are valued at the lower of cost, determined on a first-in, first-out basis, and estimated net realizable value.

Capital assets are reported as expenditure in the year of acquisition and are not recognized in the consolidated statement of assets, liabilities and net debt. Summarized information on capital assets is provided in Note 5.

Liabilities

Liabilities include all financial claims payable by the Province at the year end.

Debentures included in unmatured debt are recorded at the face amount of the issue less unamortized discount, which includes issue expenses and hedging costs.

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. Exchange differences on unhedged transactions are included in the determination of the deficit.

Liabilities also include the following:

- estimates of the present value of the Province's obligations for future pension contributions and/or benefits under defined benefit pension plans for provincial and other public sector employees, judges and masters in chambers, and Members of the Legislative Assembly,
- accrued employee vacation entitlements and long-term disability benefits, and
- the Province's obligation to provide funding to school boards from future appropriations to enable them to repay the principal portion of debentures issued by school boards to the Alberta Municipal Financing Corporation.

Note 2 Changes in Accounting Policy and Accounting Estimate

(a) Accounting Policy

During the year the Province changed its accounting policy for personal income taxes and established programs financing entitlements relating to health and post-secondary education programs. Previously, personal income taxes and established programs financing entitlements were reported on the basis of the cash received prior to the year end from the Government of Canada based on its estimates of the amounts due to the Province under the terms of a tax collection agreement and under the provisions of the federal legislation, respectively.

The Province now accounts for personal income taxes on the basis of management's estimate of amounts applicable to the fiscal year under the terms of a tax collection agreement. Established programs financing entitlements are now accounted for on the basis of management's estimate of amounts applicable to the fiscal year under the provisions of the federal legislation. This policy change has been applied retroactively without restatement of prior period results. If the change in accounting policy had not been made, the deficit for the year and net debt at the end of the year would have been $1,723 million and $13,547 million respectively.

(b) Accounting Estimate

During the year the Province changed its method of estimating non-renewable resource royalty revenue. Previously, non-renewable resource royalty revenue consisted of cash received in the year on account of the current and previous fiscal years and cash expected to be received in the three months following the year end relating to previous fiscal years.

The Province now reports non-renewable resource royalty revenue based on estimated royalties on oil and gas produced during the year and the estimated change during the year in the net realizable value of the Province's share of royalty oil in feeder and trunk pipe lines. This change has had the effect of increasing revenue for the year by $42 million.

Note 3 Deficit

(tabular amounts in millions)

(a) Deficit Elimination Act

During 1993-94, the Province complied with the Deficit Elimination Act. Section 2(a) of the Act requires that expenditures during 1993-94 must not result in a deficit of more than $2,500 million. Section 5(1) of the Act requires that any revenue of the General Revenue Fund in excess of the amount budgeted may only be used to reduce debt that would otherwise be accumulated. The effect of this section is that excess General Revenue Fund revenue cannot generally be used to fund expenditure. The Province's compliance with these provisions is demonstrated in the table below.

Deficit as reported		$1,680
Adjustment for pension provisions excluded from the application of section 2 of the Deficit Elimination Act by section 12(5) of the Financial Administration Act		296
		1,384
Allowed deficit pursuant to section 2(a) of the Deficit Elimination Act		2,500
Margin of compliance		1,116
Excess of General Revenue Fund actual revenue over General Revenue Fund estimated revenue	621	
Gain on sale of Alberta Energy Company shares	273	
		894
Expenditures below that permitted by the Act		$ 222

(b) Comparison of Actual to Budget

The consolidated statement of revenue and expenditure does not show a comparison of actual to budgeted results because the Budget '93 Update released on September 8, 1993 was prepared on a different basis. The Budget '93 Update was prepared on the basis that the Province's five largest funds were consolidated on a line-by-line basis. In the case of all remaining entities, only the budgeted deficit or surplus was included. This basis results in about 85% of the Province's revenues and expenditures being presented on a line-by-line basis. The table below shows the actual results for 1993-94 on the same basis as was used in the preparation of the Budget '93 Update.

	1994		1993
	Budget	Actual	Actual
Revenue	$11,462	$12,215	$11,470
Program expenditure			
General and grants for infrastructure	11,856	11,812	12,349
Valuation adjustments and other provisions	165	612	679
	12,021	12,424	13,028
Program deficit	559	209	1,558
Debt servicing costs	1,400	1,328	1,219
Operating deficit	1,959	1,537	2,777
Capital investment	809	656	843
Other funds and agencies net surplus	(228)	(443)	(134)
Capital amortization	(96)	(93)	(77)
Consolidated deficit before items footnoted in the Budget '93 Update	2,444	1,657	3,409
Gain on sale of Alberta Energy Company shares	(273)	(273)	—
Deficit for purposes of the Deficit Elimination Act	2,171	1,384	3,409
Pension provisions	321	296	364
Consolidated deficit	$ 2,492	$ 1,680	$ 3,773

Note 4 Commitments and Contingencies

(tabular amounts in millions)

Set out below are details of commitments to outside organizations and individuals and contingencies resulting from guarantees, indemnities and litigation, other than those reported as liabilities and shown in Schedule 13.

Management considers that the contingencies will not result in any material adverse effect on the Province.

(a) Alberta-Metis Settlements Accord

The Metis Settlements Accord Implementation Act was proclaimed on November 1, 1990. This Act implements the Alberta-Metis Settlements Accord signed on July 1, 1989 which provides that $310 million is to be paid from the General Revenue Fund at $30 million a year for seven years beginning April 1, 1990, followed by ten annual payments of $10 million beginning April 1, 1997. Payments of $190 million (1993 $220 million) remain to be made from the General Revenue Fund at March 31, 1994. Certain matching payments will also be required to be made to settlement councils under the Act between 1997 and 2007.

(b) Royalty Paid Natural Gas

The Province has an obligation estimated at $295 million to reduce future royalties on reproduction of royalty paid natural gas and by-products injected into underground formations prior to January 1, 1994. Under the Natural Gas Royalty Regulation, the obligation has to be discharged by December 31, 1999.

(c) Other Commitments

	1994	1993
Obligations under long-term leases, contracts and programs	$1,145	$1,386
Long-term investments authorized and undisbursed	32	89
Loans and advances approved and undisbursed	31	40
	$1,208	$1,515

Lease payment requirements for each of the next five years are as follows:

1994-95	$123 million
1995-96	$105 million
1996-97	$ 81 million
1997-98	$ 62 million
1998-99	$ 49 million

(d) Debenture and Loan Guarantees

Debenture and loan guarantees amounting to $3,003 million (1993 $3,319 million) are analyzed in Schedule 15.

(e) Indemnities

The Province has agreed with the Canada Deposit Insurance Corporation to indemnify the Corporation for loss occurring by reason of its obligation to make payment in respect of any deposit insured by a policy of deposit insurance issued to North West Trust Company.

(f) Native Land and Mineral Rights Claims

The Province has a contingent liability in respect of a statement of claim filed on February 19, 1982 in the Alberta Court of Queen's Bench. The plaintiffs are the members of the Lubicon Lake Band and the Cree Community of Little Buffalo Lake. The defendants are the Province of Alberta and a number of oil companies. The plaintiffs claim entitlement to at least 92 square miles of land in Northwestern Alberta as a reserve. They are also claiming $700 million in lieu of royalties and revenues, $100 million for waste and destruction, $50 million for discrimination and denial of fundamental rights, or alternatively a reserve of 92 square miles including mines and minerals together with $200 million damages, and interest on all amounts.

The Province also has a contingent liability in respect of four other native land or mineral rights claims in which the amounts claimed are unspecified.

The resulting loss, if any, from these claims cannot be determined.

(g) Other Claims

At March 31, 1994 the Province was named as defendant in various legal actions in addition to those noted above. The total claimed in specific legal actions amounts to approximately $827 million (1993 $774 million).

Note 5 Capital Assets

(tabular amounts in millions)

As capital assets are reported as expenditure in the year the assets are acquired, the following information is provided to assist users to understand the capital assets on hand and available for use by the Province.

The information is restricted to capital assets the Province acquired for cash or for other assets. Assets acquired by right, such as crown lands, forests, water and mineral resources, are not included. In addition, assets paid for by other parties, such as the federal government, are excluded. The information does not include capital assets of universities, public colleges, technical institutes, hospitals and irrigation districts which are not included in the consolidated financial statements, nor does it include capital assets of commercial enterprises or Crown-controlled corporations which are included in the consolidated financial statements on an equity basis.

The historical cost of the assets is estimated and amortization is calculated on a straight line basis over the estimated useful lives of the assets. The process of establishing the completeness and reasonableness of the estimates is ongoing. The estimates will be refined and adjusted as necessary before the accounting policy is changed to capitalize and amortize capital assets.

		1994			1993
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
General capital assets:					
Land	Indefinite	$ 1,112	$ —	$1,112	$1,124
Buildings	40 years	3,202	897	2,305	2,345
Equipment	3-10 years	570	340	230	229
Computer hardware and software	5-10 years	422	280	142	158
Other	20-50 years	241	131	110	133
		5,547	1,648	3,899	3,989
Infrastructure assets:					
Land improvements	10-40 years	305	166	139	148
Provincial highways, roads and airstrips	20-50 years	5,738	1,765	3,973	3,915
Bridges	50 years	518	171	347	336
Dams and water management structures	25-100 years	809	106	703	711
		7,370	2,208	5,162	5,110
		$12,917	$3,856	$9,061	$9,099

Land includes land acquired for parks and recreation, building sites, infrastructure and other program use. It does not include land held for resale or Crown lands acquired by right.

Equipment includes office equipment and furniture, vehicles, heavy equipment, fire protection equipment and other equipment.

Other includes pipe lines, leasehold improvements (amortized over the life of the lease), rail cars and trailers.

Land improvements include parks development and grazing reserves.

Provincial highways and roads consist of pavement, roadbed, drainage works and traffic control devices. Secondary highways are not included because they are managed and controlled by municipalities. Pavement and traffic control devices are amortized over 20 years, and roadbeds and drainage works are amortized over 50 years.

Dams and water management structures include dams, reservoirs, weirs, canals, dykes, ditches, channels, diversions, cut-offs, pump houses and erosion protection structures.

Note 6 Trust Funds Under Administration

(tabular amounts in millions)

Trust funds under administration are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purposes of various trusts, they are not included in the consolidated financial statements.

At March 31, 1994, trust funds under administration were as follows:

	1994	1993
Public Sector Pension Plan Funds	$ 9,123	$ —
Teachers' Retirement Fund	813	655
Public Trustee	269	264
Improvement Districts' Trust Account	192	201
Special Areas Trust Account	64	61
Hospitals and Nursing Homes Construction Accounts	51	60
Various Courts and Sheriffs' Offices	45	51
Miscellaneous trust funds	109	120
	$10,666	$1,412

Note 7 Comparative Figures

The 1993 figures have been reclassified where necessary to conform to 1994 presentation.

Note 8 Approval of Financial Statements

These financial statements were approved by the Deputy Provincial Treasurer - Management and Control and the Controller.

PROVINCE OF ALBERTA
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1994

Schedule 1

REVENUE

	In millions 1994	1993
Taxes:		
Personal income tax	$ 2,877	$ 2,794
Corporate income tax	854	637
Fuel tax	494	519
Tobacco tax	312	313
Business property tax for schools	213	208
Other	246	224
	4,996	4,695
Non-Renewable Resource Revenue:		
Royalties, rentals and fees, bonuses and sales of Crown leases	3,079	2,428
Royalty tax credit	(262)	(245)
	2,817	2,183
Transfers from Government of Canada:		
Established programs financing for health and post-secondary education	852	913
Canada assistance plan	625	608
Utility companies income tax transfers	173	176
Health care insurance	157	170
Crop insurance, reinsurance and revenue protection	64	381
Other	144	136
	2,015	2,384
Investment Income:		
Gain on sale of Alberta Energy Company shares	273	—
Other	1,533	1,621
	1,806	1,621
Fees, Permits and Licences	1,086	1,027
Net Profits from Commercial Operations	772	456
Other:		
Interprovincial Lottery Act transfers	354	135
Transfer from Alberta Municipal Financing Corporation	—	300
Miscellaneous	478	417
	832	852
	$14,324	$13,218

Schedule 2

OPERATING AND CAPITAL EXPENDITURE BY MAJOR FUNCTION

In millions

	Expenditure 1994 Operating	Capital	Total	1993 Total
Health	$ 4,031	$ 138	$ 4,169	$ 4,325
Education	3,080	105	3,185	3,111
Social services	1,719	2	1,721	1,889
Agriculture and economic development	988	48	1,036	1,439
Transportation and utilities	468	280	748	848
Protection of persons and property	558	4	562	597
Environment and resource conservation	358	49	407	432
Recreation and culture	257	6	263	246
Regional planning and development	214	—	214	245
Housing	190	5	195	208
General government	510	55	565	608
Debt servicing costs	1,861	—	1,861	1,755
Alberta local employment transfer	—	—	—	200
1994 Total	$14,234	$ 692	$14,926	
1993 Total	$14,923	$ 980		$15,903

Schedule 3

EXPENDITURE BY OBJECT

	In millions 1994	1993
Grants	$ 9,807	$10,583
Interest	1,873	1,769
Salaries, wages, employment contracts and benefits	1,498	1,615
Services	1,287	1,412
Materials and supplies	175	203
Travel and communication	124	123
Capital assets	97	158
Other expenses	65	40
	$14,926	$15,903

Schedule 4

VALUATION ADJUSTMENTS EXCEPT PENSION PROVISIONS

	In millions 1994	1993
Provision for loans to school boards repayable from future appropriations	$ 438	$ 84
Amortization of deferred unrealized exchange gains and losses on debt payable in United States dollars	155	50
Write-down of investments and provision for decline in market value	125	254
Provision for doubtful accounts, loans, guarantees and indemnities	76	340
Provision for employee benefits other than pensions	(12)	2
	$ 782	$ 730

Schedule 5

CASH AND MARKETABLE SECURITIES

	In millions			
	1994		1993	
	Book Value	Market Value	Book Value	Market Value
Bonds:				
Government of Canada, direct and guaranteed	$1,005	$ 984	$ 952	$ 966
Provincial, direct and guaranteed	489	481	491	502
Foreign governments, guaranteed	8	8	8	8
Board of Governors of the University of Alberta	4	4	4	4
Municipalities, school and hospital boards	16	17	13	14
Corporate	255	251	151	155
Bond coupons and residuals:				
Government of Canada, direct	30	30	106	106
Provincial, direct and guaranteed	3	3	77	80
Mortgage-backed securities:				
Government of Canada guaranteed	702	696	388	395
Mid-term money market securities:				
Certificates of deposit and guaranteed investment certificates	224	225	271	276
Promissory notes	260	250	152	154
Bankers' acceptances	13	13	26	26
Common shares	—	—	4	4
	3,009	2,962	2,643	2,690
Short-term money market securities (a):				
Treasury bills	298	298	138	138
Bankers' acceptances	250	250	76	76
Promissory notes and call loans	238	238	86	86
Bearer deposit notes	118	118	164	164
Certificates of deposit and guaranteed investment certificates	14	14	144	144
U.S. dollar money market fund units	5	5	1	1
	923	923	609	609
Cash and cash equivalents	817	817	748	748
Bank overdrafts	(42)	(42)	(238)	(238)
	775	775	510	510
	$4,707	$4,660	$3,762	$3,809

(a) The market value of short-term money market securities is estimated to approximate cost.

Schedule 6

PORTFOLIO INVESTMENTS

	In millions			
	1994		1993	
	Book Value	Market Value	Book Value	Market Value
Bonds:				
Government of Canada, direct and guaranteed	$ 205	$ 231	$ 203	$ 231
Provincial, direct and guaranteed	1,090	1,224	1,196	1,361
Municipal	6	7	6	7
Corporate	13	14	18	19
Corporate, convertible	302	311	301	307
Bond coupons and residuals:				
Government of Canada, direct	188	180	166	163
Provincial, direct and guaranteed	6	5	5	4
Mortgage-backed securities:				
Government of Canada guaranteed	19	20	15	16
Mortgages	33	37	40	45
Mid-term money market securities:				
Certificates of deposit and guaranteed investment certificates	18	19	54	55
Promissory notes	2	2	3	3
	1,882	2,050	2,007	2,211
Common shares, preferred shares, and warrants	526	821	565	787
Real estate	1	1	—	—
	$2,409	$2,872	$2,572	$2,998

Schedule 7

LONG-TERM INVESTMENTS

	In millions	
	1994	1993
Corporate debentures:		
Vencap Equities Alberta Ltd., Participating debenture	$ 132	$ 127
Ridley Grain Ltd., Participating first mortgage bonds	121	126
Alberta Pacific Pulp Mill Project Variable rate debentures -		
Crestbrook Forest Industries Ltd.	112	78
Kanzaki Paper Canada Inc.	70	49
MC Forest Investments Inc.	98	69
Millar Western Pulp Ltd. Debenture	21	74
Preferred shares:		
Smoky River Coal Ltd.	—	4
Other under $1 million	1	1
Common shares:		
Alberta Energy Company Ltd.	—	183
Venture equity:		
Participation in Syncrude Project	341	499
Participation in Lloydminster Bi-provincial Upgrader Project	56	75
	$ 952	$1,285

Schedule 8

LOANS AND ADVANCES

	In millions 1994	1993
Loans and advances made under the authority of:		
Alberta Municipal Financing Corporation Act	$5,341	$5,389
Farm Credit Stability Fund Act	1,312	1,563
Agricultural Development Act	907	944
Alberta Mortgage and Housing Corporation Act	343	490
Alberta Opportunity Fund Act	98	119
Financial Administration Act	81	65
Small Business Term Assistance Fund Act	56	104
Rural Electrification Revolving Fund Act and Rural Electrification Long Term Financing Act	37	20
Municipal Land Loans Act	5	5
	8,180	8,699
Implemented guarantees and indemnities made under the authority of:		
Financial Administration Act	96	84
Other	10	13
	106	97
Judgement debts	—	1
	8,286	8,797
Less: Allowance for doubtful loans, advances, implemented guarantees and indemnities, and judgement debts	262	288
	$8,024	$8,509

Schedule 9

INVENTORIES HELD FOR RESALE

	In millions 1994	1993
Real estate held for resale	$198	$329
Royalty oil	117	157
Other inventories for resale	12	13
	$327	$499

Schedule 10

DEFICIENCY IN COMMERCIAL ENTERPRISES

	In millions 1994	1993
Accumulated deficits:		
Accumulated deficits at beginning of year	$ 673	$ 680
Total revenue	3,115	3,102
Total expenditure	2,499	2,725
Net revenue	(616)	(377)
Net transfers to the General Revenue Fund and other adjustments	69	367
Redemption of capital stock	27	3
Accumulated deficits at end of year	$ 153	$ 673
Represented by:		
Assets:		
Loans	$ 8,411	$ 7,968
Investments	3,304	3,141
Other assets	933	1,082
Total assets	12,648	12,191
Liabilities:		
Accounts payable	571	820
Deposits	8,810	8,403
Claim benefit liabilities	2,412	2,447
Unmatured debt	978	1,165
Pension obligations	30	29
Total liabilities	12,801	12,864
	$ 153	$ 673

	1994	1993
Elimination of inter fund/agency balances:		
Accumulated deficits at end of year	$ 153	$ 673
Investments by consolidated entities	(92)	(79)
Net investment and receivable of commercial enterprises in/from consolidated entities	82	61
Deficiency in commercial enterprises at end of year	$ 143	$ 655
Deficiency (equity) by enterprise:		
The Workers' Compensation Board	$ 330	$ 632
Treasury Branches Deposits Fund (a)	124	127
Gainers Inc.	—	46
Chembiomed Ltd.	6	6
S C Financial Ltd.	—	—
Northern Steel Inc.	—	(1)
N.A. Properties (1994) Ltd.	(2)	146
Northern Lite Canola Inc.	—	(9)
Alberta Intermodal Services Ltd.	(7)	(37)
Credit Union Deposit Guarantee Corporation	(42)	(38)
The Alberta Government Telephones Commission	(83)	(11)
Alberta Liquor Control Board	(91)	(117)
North West Trust Company	(92)	(89)
	$ 143	$ 655

(a) At March 31, 1994 the Treasury Branches Deposits Fund had a potential liability under guarantees and letters of credit amounting to $138 million (1993 $131 million).

Schedule 11

UNMATURED DEBT

In millions

	Gross Unmatured Debt (a)	Less: Sinking Funds Net (b)	Less: Debt held by Consolidated Entities	Less: Net Debt applied to increase deficiency in Commercial Enterprises	Net Unmatured Debt 1994	Net Unmatured Debt 1993
Debt Issued by:						
General Revenue Fund	$ 18,003	$ —	$ 2,313	$ 53	$ 15,637	$ 12,109
Alberta Municipal Financing Corporation	5,201	246	147	29	4,779	4,784
Farm Credit Stability Fund	1,541	—	—	—	1,541	1,506
Alberta Mortgage and Housing Corporation	1,472	—	1,367	—	105	106
Alberta Capital Fund	—	—	—	—	—	1,663
Alberta Provincial Corporation Loan Fund	—	—	—	—	—	13
Alberta Agricultural Development Corporation	949	—	949	—	—	—
Alberta Opportunity Company	106	—	106	—	—	—
Small Business Term Assistance Fund	64	—	64	—	—	—
Alberta Resources Railway Corporation	—	—	—	—	—	—
	$ 27,336	$ 246	$ 4,946	$ 82	$ 22,062	$ 20,181

(a) Includes provision for exchange on debt payable in foreign currency funds and deferred unamortized exchange gains and losses.
(b) Includes adjustments for inter-fund holdings $6 million (1993 $5 million).

Province of Alberta debt bears interest at rates from 4.5% to 16.25% per annum with maturity dates from April 4, 1994 to March 1, 2013. Debt principal repayment requirements in each of the next five years are as follows:

1994-95	$3,441 million	(includes U.S. $ 795 million fully hedged)
1995-96	2,390 million	(includes U.S. $ 600 million unhedged)
1996-97	2,040 million	(includes U.S. $ 750 million unhedged)
1997-98	2,983 million	(includes U.S. $ 300 million unhedged and U.S. $275 million fully hedged)
1998-99	2,900 million	(includes U.S. $1,000 million unhedged)

Schedule 12

PENSION OBLIGATIONS

In millions

	1994	1993
Obligations to pension plans for employees of organizations outside the government reporting entity:		
Teachers' Retirement Fund (a)	$3,071	$2,896
Local Authorities Pension Plan (b)	326	310
Universities Academic Pension Plan (b)	156	145
Special Forces Pension Plan (b)	129	120
	3,682	3,471
Obligations to pension plans for current and former employees and Members of the Legislative Assembly:		
Public Service Pension Plan (c)	594	557
Public Service Management (Closed Membership) Pension Plan (c)	574	—
Management Employees Pension Plan (c)	123	—
Members of the Legislative Assembly Pension Plan (d)	93	86
Public Service Management Pension Plan (c)	—	656
	1,384	1,299
	$5,066	$4,770

(a) For pensionable service up to August 31, 1992, the Teachers' Retirement Fund Act requires that the Province pay 67.35% and the teachers 32.65% of the annual additional contributions required to eliminate the unfunded liability on or before August 31, 2060. In addition, for service after August 1992, the Province funds 50% of any current service costs and related actuarial adjustments.

An actuarial valuation performed at August 31, 1993 indicated that assets were insufficient to meet the liabilities of the fund. Based on this actuarial valuation, the Province's liability at August 31, 1993 was $2,494 million, of which $33 million is for service subsequent to August 1992. The liability at March 31, 1994 includes extrapolation adjustments of $110 million. In addition, based on the actuarial valuation the Province's share of net unrealized experience gains was $486 million at March 31, 1994. As these unrealized experience gains are amortized over 15 years, the Province's expenditure will be reduced by $32 million annually.

The Act provides that payment of all benefits is guaranteed by the Province of Alberta.

Schedule 12 (cont'd)

PENSION OBLIGATIONS

(b) Under the Public Sector Pension Plans Act, which came into effect during 1993-94, the Province has obligations for payment of contributions under defined benefit pension plans for employees of local authorities and post-secondary education institutions. The three plans are the Local Authorities, Universities Academic and the Special Forces pension plans.

The Province's liability for the Local Authorities and Universities Academic plans represents the estimated present value of its future additional contributions for pre-1992 service to be funded over 42 and 49 years respectively.

For the Special Forces plan, the Province's liability represents the estimated present value of pension benefits for pre-1992 service, less future additional contributions to be paid by employers and their employees. The Act provides that the payment of all benefits for pensionable service prior to 1994 is guaranteed by the Province.

For the three plans, the liabilities were established from actuarial valuations of the plans at December 31, 1991 extrapolated to March 31, 1994. Assumptions made in the actuarial valuations were the same as for the pension plans referred to in (c) below.

(c) The Province administers three contributory defined benefit pension plans for substantially all of its employees, namely, the Public Service, Management Employees and the Public Service Management (Closed Membership) pension plans. The Management Employees and the Public Service Management (Closed Membership) pension plans were formerly a single plan known as the Public Service Management pension plan. The Public Service Management (Closed Membership) pension plan provides benefits to former members of the Public Service Management pension plan who retired before August 1, 1992.

Benefits paid from these plans are based on length of service and pensionable earnings. The average age of the approximately 55,000 active employees covered by the plans is 41. In addition, there are approximately 3,000 former employees who are entitled to refunds of contributions with interest or pension benefits when all of the eligibility requirements are met. At present, these plans provide benefits for approximately 14,000 retirees. Benefit payments were $175 million in 1993-94 (1993 $155 million). Total contributions were $202 million in 1993-94 (1993 $193 million).

A separate pension plan fund administered by the Province is now maintained for each pension plan. Pension plan fund assets are invested in both marketable investments of organizations external to the government and in Province of Alberta bonds and promissory notes.

The Province's share of the total pension liability for these plans at March 31, 1994 is determined as follows:

	In millions		
	Public Service	Management (Closed Membership)	Management Employees
Extrapolated actuarial present value of accrued pension benefits	$ 2,911	$ 642	$ 829
Less extrapolated value of net assets available for benefits	2,163	68	667
Extrapolated actuarial present value of accrued pension benefits in excess of net assets	$ 748	$ 574	$ 162
Province's share, to be funded by future contributions	$ 594	$ 574	$ 123

Actuarial valuations are performed triennially using the projected benefit method prorated on services. The most recent actuarial valuations of the pension plans were carried out at December 31, 1991 (valuation date) and reflected the provisions of the pension plans that were in effect at the valuation date. The actuarial liabilities represented the actuary's estimate of the present value of benefits expected to be paid in the future, attributed to service performed prior to the valuation date. These liabilities included provision for future cost-of-living benefits equal to 60% of the annual increase in the Consumer Price Index.

The Public Service and Public Service Management plan valuations were based on economic assumptions, including a long-term rate of return on pension fund assets of 3.5% over the level of price inflation. The rate was based on a long-term rate of return of 8.5% per annum and price inflation of 2% in 1992 increasing by 0.6% per annum to 5% in 1997 and succeeding years. Demographic assumptions used in the valuations reflect the experience of the plans. The assumptions used were adopted after consultation between the government and the actuary.

For these Provincially administered plans, the December 31, 1991 actuarial valuations have been extrapolated to March 31, 1994.

All pension plan fund assets are valued at the market values at December 31, 1991 extrapolated to March 31, 1994.

Schedule 12 (cont'd)

PENSION OBLIGATIONS

The Province's liability for the Public Service and the Management Employees pension plans represents the estimated present value at December 31, 1991 of its future additional contributions, extrapolated to March 31, 1994. These additional contributions are required to be paid by the Province over 42 and 49 years respectively. The Province's liability for the Public Service Management (Closed Membership) pension plan represents the estimated present value at December 31, 1991 of benefits payable less assets available, extrapolated to March 31, 1994.

The total pension related expenditures include the following components:

	In millions 1994	1993
Pension expenditure for current service:		
Normal contributions as employer	$ 65	$ 67
Interest on the Province's liability	101	98
Total pension related expenditures	$166	$165

(d) The Province has a liability for payment of pension benefits under a defined benefit pension plan for Members of the Legislative Assembly. An actuarial valuation of the plan's liability at December 31, 1991 was based on similar assumptions to those used for the pension plans referred to in (c) above. The actuarial valuation determined an unfunded liability of $55 million. Active participation in this plan was terminated as of June 1993. This change is not expected to have a material effect on the outstanding pension liability. The liability at March 31, 1994 includes extrapolation adjustments of $11 million.

In addition, the government agreed in 1991 to contribute $23 million proportionately to the five pension plans referred to in (b) and (c) above in existence at that date. The liability at March 31, 1994 includes extrapolation adjustments of $4 million.

Schedule 13

OTHER ACCRUED LIABILITIES

	In millions 1994	1993
Future funding to school boards to enable them to repay debentures issued to the Alberta Municipal Financing Corporation	$1,534	$1,098
Guarantees:		
Debentures and loans (Schedule 15)	206	330
Other	83	1
	289	331
Vacation entitlements and long-term disability benefits	218	228
Indemnities:		
Credit union assistance (a)	150	181
Other	7	6
	157	187
	$2,198	$1,844

(a) The Province has agreed to indemnify and fund interest to the extent necessary on $335 million of debentures issued by S C Financial Ltd. to credit unions in exchange for stabilization preferred shares of the credit unions.

Schedule 14

EQUITY IN ALBERTA MUNICIPAL FINANCING CORPORATION

	In millions 1994	1993
Alberta Municipal Financing Corporation equity	$514	$572

Note: Refers to a portion of Alberta Municipal Financing Corporation's shareholders' equity which is excluded from net debt of the Province and to the cost of common shares held by municipalities, counties, cities, towns, school districts and divisions and hospital boards. Under the Alberta Municipal Financing Corporation Act, the Alberta Municipal Financing Corporation has "the power to pay from time to time, as a rebate of interest, any profits of the corporation to shareholders of the corporation that have borrowed moneys from the corporation or sold debentures of their own issue to the corporation, proportionately as such shareholders made use of the facilities of the corporation over the period in which any such profits were derived."

Schedule 15

DEBENTURE AND LOAN GUARANTEES

	In millions 1994	1993
Debentures:		
AEC Power Limited	$ 140	$ 154
Vencap Equities Alberta Ltd.	32	33
Chembiomed Ltd.	12	12
	184	199
Loans by Financial Institutions:		
Farm Credit Stability Fund Act	1,302	1,432
Alberta Mortgage and Housing Corporation Act	479	640
Students Loan Guarantee Act	261	216
Weldwood of Canada Limited	232	240
Alberta Newsprint Funding Corporation	212	199
Slave Lake Pulp Partnership	96	96
Special Waste Management Corporation Act	79	7
Small Business Term Assistance Fund Act	57	106
Agricultural Development Act	55	47
PWA Corporation	50	—
Magnesium Company of Canada Ltd.	49	104
Feeder associations	47	39
Alberta family first home program	21	43
Smoky River Coal Limited	10	11
Kananaskis Alpine Resort Inc.	8	8
Agricultural Societies Act	8	10
Export program	7	21
Fletcher's Fine Foods Ltd. and subsidiaries	5	6
Irrigation Act	5	3
Alberta Opportunity Fund Act	4	1
Centre for Frontier Engineering Research	4	4
Alberta capital loan program	3	5
Rural utilities loans	3	3
Pocaterra Development Corporation	2	2
354713 Alberta Ltd.	—	118
Gainers Properties Inc.	—	53
Gainers Inc.	—	10
Other under $1 million	3	3
	3,002	3,427
Federal Loans:		
Agricultural Societies Act	13	13
Mortgage Loans:		
University of Alberta	4	4
University of Lethbridge	2	2
University of Calgary	2	2
Banff Centre for Continuing Education	2	2
	10	10
	3,209	3,649
Less: Estimated liability (Schedule 13)	206	330
	$3,003	$3,319

Note: No guarantees were outstanding at March 31, 1994 in respect of loan facilities for which amounts had not yet been advanced (1993 $60 million).